

Message Text

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ACTION IO-14

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SUBJECT: UNDP GOVERNING COUNCIL: AGENDA ITEM 11 - UN
CAPITAL DEVELOPMENT FUND

1. AT COB, JUNE 23 THE UNDP GOVERNING COUNCIL ADOPTED
THE FOLLOWING DECISION ON THE CAPITAL DEVELOPMENT FUND:

BEGIN TEXT: THE GOVERNING COUNCIL,

(1.) TAKES NOTE OF THE REPORT OF THE ADMINISTRATOR ON THE
UNITED NATIONS CAPITAL DEVELOPMENT FUND AND OF THE VIEWS
EXPRESSED DURING THE DISCUSSION;

(2.) REQUESTS THE ADMINISTRATOR TO PRESENT TO THE COUNCIL,
AT ITS TWENTY-SIXTH SESSION, A SPECIFIC PROPOSAL FOR
CHANGING THE PRESENT FULL FUNDING OF TOTAL ESTIMATED COSTS
AT THE TIME OF APPROVAL OF EACH PROJECT, TO AN ARRANGE-
MENT PROVIDING FOR COVERAGE OF PROJECT COSTS AS THEY ARE
INCURRED ON A CURRENT BASIS. END TEXT.

2. IN A BRIEF STATEMENT, THE ADMINISTRATOR EXPRESSED
HIS ENTHUSIASM FOR THE WORK OF UNCDF, WHICH HAD SHOWN
SUCH PROMISE A FEW YEARS AGO WHEN ITS MANDATE HAD BEEN
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REVITALIZED. THAT PROMISE HAD MORE THAN BEEN FULFILLED,
AND TODAY A DYNAMIC UNCDF WAS IN A UNIQUE POSITION TO CO-
OPERATE, IN PARTICULAR, WITH THE LDCE EFFECTIVELY AND
SWIFTLY IN TERMS OF THEIR SMALL-SCALE CAPITAL NEEDS.
THE FUND, HE SAID, DESERVED INCREASED SUPPORT FROM
GOVERNMENTS, AND HE FAVORED A GOAL OF \$100 MILLION IN
TOTAL CUMULATIVE CONTRIBUTIONS BY THE END OF NEXT YEAR.

3. IN INTRODUCING DISCUSSION ON THE FUND'S WORK, THE EXECUTIVE SECRETARY SAID THAT UNCDF HAD NOW COME TO A POINT OF OPERATIONAL MATURITY. AT THIS SESSION OF THE COUNCIL, HE SAID, THERE WERE TWO ISSUES TO BE DEALT WITH. THE FIRST WAS THE FUND'S UNDER-UTILIZED CAPACITY, I.E. ITS ABILITY TO COMMIT \$50 MILLION IN RESOURCES ANNUALLY, AS CONTRASTED TO ITS CURRENT LEVEL OF \$20 MILLION. THE FUND, IN THIS RESPECT, HAD ALREADY TOTALLY COMMITTED ITS AVAILABLE RESOURCES FOR THE CURRENT YEAR. SECOND, THERE WAS THE ISSUE OF CHANGING THE BASIS FOR FUNDING CDF PROJECTS FROM THE CURRENT FULL-FUNDING APPROACH TO A CASH-FLOW FUNDING METHOD. THIS LATTER FUNDING BASIS, WOULD SERVE TO ACCELERATE THE APPROVAL RATE FOR PROJECTS, TO REDUCE IDLE BANK BALANCES AND TO SPREAD THE FUND'S RESOURCES MORE EVENLY AND EFFECTIVELY. CASH FLOWS WOULD HAVE TO BE CAREFULLY MONITORED TO ASSURE AVAILABLE FUNDS AT ALL TIMES AND CIRCUMSTANCES, REQUIRING A COMPUTERIZED MONITORING SYSTEM TO TRACK SPENDING AND REDUCE THE RISK OF CASH PROBLEMS AND A CONSIDERABLY EXPANDED OPERATIONAL RESERVE OVER AND ABOVE THE EXISTING LEVEL OF \$4.2 MILLION.

4. MANY MEMBERS WARMLY CONGRATULATED THE ADMINISTRATOR AND THE EXECUTIVE SECRETARY FOR THE EXCELLENT RECORD OF PERFORMANCE OF UNCDF TO DATE. SOME MEMBERS NOTED THAT UNCLASSIFIED

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THE FUND REPRESENTED AN IMPORTANT MECHANISM FOR MEETING THE BASIC NEEDS OF THE WORLD'S POOR AS WELL, AND ONE MEMBER STRESSED ITS EFFECTIVE WORK IN THE SAHELIAN REGION OF WEST AFRICA. SOME MEMBERS ALSO PRAISED THE EVALUATION MECHANISM BEING USED BY THE FUND, AND ITS LOW LEVEL OF OPERATING COSTS. ONE MEMBER EXPRESSED DISSATISFACTION, HOWEVER, WITH THE FACT THAT THE FUND WAS NOT YET OPERATING IN ANY NEWLY-INDEPENDENT COUNTRIES, WHERE NEEDS WERE SO GREAT.

5. USDEL IN A SHORT STATEMENT (AIR POUCHED) URGED THAT THE FUND, IN ITS FUTURE OPERATIONS, WORK CLOSELY WITH THE HABITAT CENTRE ON HUMAN SETTLEMENTS IN NAIROBI, THAT A MORE APPROPRIATE NAME MIGHT BE FOUND FOR THE FUND AT THIS POINT, ONE WHICH WOULD STRESS ITS CONCENTRATION ON LIGHT CAPITAL TECHNOLOGY, AND THAT THE TIME HAD COME FOR THE FUND TO ASSUME FULL RESPONSIBILITY FOR ITS OWN ADMINISTRATIVE COSTS AND PERHAPS EVEN TO REIMBURSE UNDP FOR WORK DONE ON THE FUND'S BEHALF AT THE OPERATIONAL LEVEL. USDEL ALSO SUPPORTED UNDP'S PROPOSAL TO REPORT ON A POSSIBLE CHANGE TO A CASH-FLOW FUNDING BASIS FOR CDF PROJECTS. VANDEN HEUVEL

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